

## Message Text

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ACTION EB-07

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E.O.11652: N/A  
TAGS: ETRD, SP  
SUBJECT: COUNTERVAILING DUTIES ZINC

1. SUMMARY: ON DECEMBER 23, USING POINTS IN REFTEL, DCM MADE CASE FOR GOS COOPERATION IN ZINC INVESTIGATION AS PERSUASIVELY AS HE COULD IN HOUR LONG TALK WITH CARLOS GAMIR, NEW FONOFF DIRECOR GENERAL OF INTERNATIONAL ECONOMIC AFFAIRS, AND HIS DEPUTY ALDASORO, GAMIR AND ALDASORO AGREED TO PASS ARGUMENTS MADE TO THEM ON TO THEIR SUPERIORS AND TO LET EMBASSY KNOW THEIR REACTION, BUT THEY DID NOT AT THIS MEETING INDICATE MUCH LIKELIHOOD OF CHANGE OF GOS POSITION OF GOS, AS DISTINCT FROM INDUSTRY, COOPERATION IN INVESTIGATIONM THEY NOTED OFFER OF SUCHMAN VISIT, AND WILL ALSO LET US KNOW LATER ON THAT. END SUMMARY.

2. ALDASORO, WHO DID MOST OF THE TALKING FOR GOS WHILE GAMIR PLEADED NEWNESS BUT OCCASIONALLY INTERVENED TO SUPPORT HIM. RESPONDED TO DCM'S PRESENTATION BY SAYING THAT THE GOS DECISION NOT TO ASSIST THE INVESTIGATIVE PROCESS ON COUNTERVAILING DUTY CASES IS A FIRM, GOVERNMENT WIDE DECISION ARRIVED AT AFTER CAREFUL CONSULTATION WITH INDUSTRY. HE SAID THE GOS AND INDUSTRY UNDERSTOOD SOME SACRIFICE MIGHT RESULT TEMPORARILY IN INDIVIDUAL CASES. BUT THEY FELT THAT SACRIFICE WAS WORTH TAKING TO ENHANCE THE OPPORTUNITY OF MAKING THEIR  
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POINTS FORCEFULLY AT THE POLICY LEVEL THROUGH THE JOINT ECONOMIC COMMITTEE. MOREOVER, THEY DID NOT BELIEVE PREVIOUS COOPERATION HAD BENEFITTED SPAIN. THE ONE CONCESSION WAS THAT THE SPANISH INDUSTRY WAS FREE TO PROVIDE WHATEVER INFORMATION IT THOUGH APPROPRIATE THROUGH ITS REPRESENTATIVES IN WASHINGTON.

3. GAMIR AND ALDASORO DELIVERED THEMSELVES OF THE STANDARD GOS BALANCE OF TRADE ARGUMENT AGAINST RESTRICTIONS ON SPANISH EXPORTS TO THE US AND NOTED THE EXISTENCE OF US BASES IN SPAIN, THE ADVERSE EFFECT ON SPANISH PUBLIC OPINION OF US ACTION AGAINST SPAIN'S EXPORTS AND THE POSSIBILITY OF SHIFTING SOME GRAIN AND OTHER IMPORTS TO OTHER SUPPLIERS. NOTABLY LATIN AMERICAN, WHERE THEY MIGHT PROVIDE MORE LEVERAGE FOR SPANISH EXPORTS. IN THE LATTER REGARD, THEY SAID THE GOS HAD REACHED A "NEW" POLICY DECISION TO DIVERSIFY SPAIN'S TRADE, IN PART BECAUSE OF UNCERTAINTY REGARDING US TRADE RESTRICTIONS. THEY IMPLIED SPAIN WOULD NOW, AS A MATTER OF NEW POLICY, SUBSIDIZE SOME PURCHASES FROM LATIN AMERICAN AND OTHER SOURCES IN RETURN FOR GREATER PURCHASES OF SPAIN'S EXPORTS.

4. DCM SAID HE UNDERSTOOD GOS DESIRE TO TAKE COUNTERVAILING DUTY ISSUE TO TOP POLICY LEVEL THROUGH JOINT ECONOMIC COMMITTEE. HOWEVER, IN FRANKNESS HE DID NOT THINK THIS APPROACH WOULD RESULT SPAIN WISHED. US COUNTERVAILING DUTY RELATIONS WITH ALL COUNTRIES, NOT JUST SPAIN, AND THE GENERIC COUNTERVAILING DUTY ISSUE WAS A SUBJECT OF THE MULTILATERAL WORLD TRADE NEGOTIATIONS, THUS THE UNITED STATES GOVERNMENT WOULD NOT BE IN POSITION TO RESPOND TO A BILATERAL PRESECATION MADE BY ONE COUNTRY ON THE BASIS OF THE TYPE OF ARGUMENTS SPAIN WAS MAKING.

5. THE US FULLY UNDERSTOOD THE NEGATIVE POLITICAL AND OTHER EFFECTS OF COUNTERVAILING DUTIES, THE DCM SAID, AND WANTED TO KEEP THOSE EFFECTS TO THE MINIMUM FRASIBLE BY THE MOST LIMITED OFFICIAL USE

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ADMINSTRATION OF COUNTERVAILING DUTY LEGISTALTION. THAT WAS THE REASON FOR HIS ARGUMENT NOW FOR SPANISH COOPERATION. THE US' RECORD, INCLUDING THE RELATIVE LOW LEVEL OF COUNTERVIALING DUTY IMPOSED ON SPANISH SHOES, CONFIRMED IT INTENTIONS IN THIS REGARD. IT WAS CERTAINLY NOT TRUE THAT GOS PROVISION OF INFORMATION HAD NO EFFECT. THE COUNTERVAILING DUTY ON SHOES COULD HAVE BEEN CONSIDERABLY HIGHER HAD NOT INFORMATION HAD BEEN PROVIDED. THEDANGER IN THE GOS CURRENT APPROACH WAS THE DEPENDENCE ON A PRESENTATION AT A JOINT ECONOMIC COMMITTEE MEETING MIGHT HAVE THE PRACTCAL RESULT OF SUBSTANTIALY REDUCING THE CHANCE FOR A FINDING AGAINST A COUNTERVAILING DUTY ON ZINC AND OF PRODUCING A HIGHER COUNT TERVAILING DUTY THAN WOULD BE THE CASE IF THE GOS PROVIDED INFO, NOW, IN ADDITION TO OTHER SPIN OFF NEGATIVE RESULTS.

6. THE DCM CONTINUED THAT HE ALSO FULLY UNDERSTOOD SPAIN'S DESIRE TO INCREASE ITS EXPORTS AND BELIEVED IT VERY IMPORT ANT FOR BOTH US AND SPANISH INTERESTS THAT SPAIN'S EXPORTS

INCREASE SUBSTANTIALLY TO HELP REDUCE ITS SEVERE TRADE AND BALANCE OF PAYMENTS DEFICITS. BUT THERE WERE OTHER, MORE EFFECTIVE WAYS OF ACHIEVING THIS END THAT WOULD NOT RAISE COUNTERVAILING DUTY ISSUES.

7. DCM THEN SUGGESTED UTILITY OF DEPUTY ASSISTANT SECRETARY OF TREASURY SUCHMAN'S VISIT IN LATTER PART OF JANUARY.

8. DISCUSSION ENDED WITH GAMIR AND ALDASORO SAYING THEY WOULD PASS ON TO THEIR SUPERIORS THE VIEWS THAT HAD BEEN EXPRESSED TO THEM, CONSULT ON DESIRABILITY FROM GOS POINT OF VIEW OF SUCHMAN VISIT IN LATTER PART OF JANUARY, AND LET EMBASSY KNOW THE REACTION AS SOON AS POSSIBLE.

9. COMMENT: IT SEEMS THAT NO COOPERATION IN COUNTERVAILING DUTY INVESTIGATIONS IS A BROAD GOS POLICY REACHED BY ALL MINISTRIES CONCERNED IN CONSULTATIONS WITH INDUSTRY. LIMITED OFFICIAL USE

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THE GOS EVIDENTLY BELIEVES THAT THE LARGE TRADE SURPLUS ENJOYED BY THE US, COUPLED WITH US STRATEGIC AND POLITICAL INTERESTS IN SPAIN, ENTITLES SPANISH EXPORTS TO SPECIAL TREATMENT. ITS PRESENT APPROACH IS TO ATTEMPT TO ACHIEVE THAT SPECIAL TREATMENT BY GOING TO THE POLICY LEVEL THROUGH THE JOINT ECONOMIC COMMITTEE. LINKING THE PROPOSED SUCHMAN VISIT TO THE JOINT ECONOMIC COMMITTEE WOULD NOT MEET THE GOS GOAL IN THIS RESPECT AT THIS TIME. WE WILL CONTINUE TO MAKE THE ARGUMENT FOR COOPERATION AS BEST WE CAN, AND TO ATTEMPT TO GET AGREEMENT TO THE SUCHMAN VISIT, WHICH COULD BE USEFUL. MEANWHILE, IT WOULD BE HELPFUL FOR US TO KNOW MORE ABOUT HOW THE INFORMATION BEING PROVIDED BY SPANISH PRODUCERS EXPORTERS FALLS SHORT OF MEETING TREASURY'S NEEDS. STABLER

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